

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6831**

**BILL NUMBER:** HB 1365

**DATE PREPARED:** Dec 20, 2000

**BILL AMENDED:**

**SUBJECT:** New Harmony Food and Beverage Tax.

**FISCAL ANALYST:** Chris Baker

**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:**      **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local & State

LOCAL IMPACT	CY 2001	CY 2002	CY 2003
Local Revenues	8,800	36,100	37,100
Local Expenditures			
Net Increase (Decrease)	8,800	36,100	37,100

**Summary of Legislation:** This bill permits the fiscal body of the town of New Harmony to impose an excise tax on food and beverage transactions. The bill also permits New Harmony to use the tax revenues collected under the food and beverage tax to fund the repair and maintenance of streets and sidewalks.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** The Department of State Revenue will have minimal administrative costs associated with this proposal which can be absorbed in its current budget.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** This bill allows the town of New Harmony to use funds generated from the food and beverage tax for the repair and maintenance of town streets and sidewalks. Currently, under IC 6-9-27, revenue must be used exclusively for the financing, construction, operation, or maintenance of facilities built for the following purposes: sanitary sewage or wastewater treatment, parks or recreation, drainage or flood control, and water treatment, storage, or distribution. Revenue may also be used to pay for bonds, loans, lease payments, or any other obligations incurred in providing these facilities (this only applies to obligations incurred after the tax is adopted).

**Explanation of Local Revenues:** This bill establishes a 1% tax on food and beverages prepared and served for sale in the town of New Harmony in Posey County. This tax would be adopted under the Miscellaneous Local Food and Beverage statute (IC 6-9-27). The revenue from this tax is estimated to be \$8,800 for CY 2001, \$36,100 for CY 2002, and \$37,100 for CY 2003.

*Background:* According to the most recent U.S. Census Bureau data, total food and beverage sales in Posey County for CY 1997 were \$9,463,000. Based on this amount, a 1% food and beverage tax would have generated an additional \$94,630, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the census data. An additional 10% of the \$94,630 projection is added to establish a CY 1997 baseline of \$104,093 for Posey County.

The average growth rate of food and beverage-related sales as reported by the U.S. Census Bureau from CY 1992 to CY 1997 was 4.5%, and this rate was used to project tax collections through CY 2003. However, the proposed tax would be applied only in the town of New Harmony, not throughout Posey County. It was estimated that about 30% of food and beverage sales in Posey County are transacted in New Harmony. This percentage was multiplied by the county projections for CY 2001, 2002, and 2003 to produce the revenue estimates of \$8,800, \$36,100, and \$37,100, respectively.

Due to the effective date of July 1, 2001, New Harmony would likely collect taxes only on food and beverage sales for the fourth quarter of the town's fiscal year. The actual expected impact for CY 2001 would be one-fourth of the annual projection, or approximately \$8,800.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Fiscal Body of New Harmony.

**Information Sources:** U.S. Bureau of Census.